



Island Investment Development Inc.

Annual Report

2012-2013



Message from the Minister

September 27, 2013



The Honourable H. Frank Lewis
Lieutenant Governor of Prince Edward Island

May It Please Your Honour:

Pursuant to the Annual Reporting Framework of the Financial Administration Act governing Crown Corporations, I am pleased to present to you, the Annual Report of Island Investment Development Inc. for the fiscal year ending March 31, 2013.

Building a strong population continues to play a significant role in the economic development and expansion of cultural diversity within our province. As the Minister responsible for Island Investment Development Inc., I am pleased with the results the Agency has accomplished in the past year in the interests of growing the population and contributing to the enrichment of cultural diversity in Prince Edward Island.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Allen Roach". The signature is fluid and cursive, with the first name "Allen" and last name "Roach" clearly distinguishable.

Allen F. Roach

Minister of Innovation and Advanced Learning

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Island Investment Development Inc.

Rapport annuel – 2012-2013

Sommaire

Island Investment Development Inc. (IIDI) est une société de la Couronne qui relève du ministère de l'Innovation et des Études supérieures. Elle est chargée d'élaborer, d'implanter et de gérer des programmes et services qui visent la croissance démographique de l'Île-du-Prince-Édouard par le biais d'efforts en matière d'immigration, de rapatriement, d'établissement, d'intégration et de conservation de la population. L'IIDI administre également le Fonds Century 2000 de l'Île-du-Prince-Édouard par l'entremise du Programme d'immigration des investisseurs du gouvernement fédéral.

L'IIDI se sert principalement du Programme des candidats de la province de l'Île-du-Prince-Édouard (PCP de l'Î.-P.-É.) pour attirer les ressortissants étrangers. Le PCP de l'Î.-P.-É. permet à la province d'attirer des entrepreneurs, des travailleurs qualifiés d'autres travailleurs pour remédier aux graves pénuries que connaît le marché de l'emploi en proposant des personnes qualifiées pour la résidence permanente au Canada. Au cours de la dernière année, le PCP de l'Î.-P.-É. a proposé 493 candidats, la majorité d'entre eux provenant de la Chine, des Philippines, de l'Inde et du Royaume-Uni.

L'IIDI finance un certain nombre d'initiatives favorisant l'établissement, la conservation de la population, le rapatriement et l'intégration. On compte parmi ces initiatives le programme Liens Î.-P.-É., l'Association des nouveaux arrivants au Canada de l'Î.-P.-É., diverses activités portant sur la diversité, la publication du document *Île-du-Prince-Édouard : Guide des nouveaux arrivants*, des services linguistiques, la Coopérative d'intégration francophone et le programme PERCÉ.

L'équipe de recrutement de l'IIDI travaille de près avec les intervenants – notamment les entreprises et les employeurs de l'Île – pour promouvoir l'Î.-P.-É. comme destination de choix auprès d'anciens Insulaires, d'autres Canadiens et de ressortissants étrangers. L'équipe de recrutement est responsable de la planification de missions stratégiques au sein des marchés national et international afin de préserver les emplois menacés dans la province.

Le Fonds Century 2000 de l'Î.-P.-É. a été créé pour appuyer la croissance et les besoins du secteur privé et stimuler le développement économique. À la fin de l'année, les 95 comptes de prêts en souffrance représentaient 151,1 millions de dollars au total.

Pour obtenir d'autres renseignements sur les programmes et initiatives de l'IIDI, on peut communiquer avec Angie Cormier en envoyant un courriel à adcormier@gov.pe.ca ou en composant le 902-368-5368.

Mandate

Island Investment Development Inc. (IIDI) is a crown corporation under the Ministry of Innovation and Advanced Learning and is responsible for developing, implementing, and managing programs and services to increase Prince Edward Island's population through immigration, repatriation, settlement, integration, and broad population retention. IIDI uses its primary attraction tool, the Prince Edward Island Provincial Nominee Program (PEI PNP), to attract foreign nationals to the province. IIDI works with diverse stakeholders to develop and implement programs and services that are designed to educate, facilitate, attract and retain newcomers who can positively contribute to the economy and culture of Prince Edward Island. IIDI's programs and services also extend to Islanders both within and outside of the province and to Canadians looking for opportunities in Prince Edward Island.

IIDI also administers the Prince Edward Island Century 2000 Fund through the Federal Government's Immigrant Investor Program, which is designed to support to private sector's business growth needs.

Mission

IIDI's mission is to effectively and efficiently develop and deliver adaptive programs and services to attract, settle, integrate, and retain newcomers while also encouraging population retention for all Islanders. IIDI endeavors to make Prince Edward Island a destination of choice for newcomers by attracting high quality applicants that are best-suited to adapt and positively contribute to the province's unique economy and culture.

Vision

Using the PEI PNP as its primary attraction tool, IIDI promotes "*A Welcoming One Island Community*" in its recruitment stream; whose services and supports to newcomers contribute to a culturally diverse and prosperous province. The "*One Island Community*" is also extended to Islanders abroad who are looking for meaningful employment opportunities to return and stay in Prince Edward Island. Island youth and the workforce that are currently in Prince Edward Island are also engaged so they can continue their valuable role in enhancing the economic and social fabric of the province.

IIDI works with diverse stakeholders to help create economic growth opportunities and address labour market issues. IIDI collaborates with departmental partners and with other provincial and federal government departments to ensure that Prince Edward Island offers a high quality of life that boasts a supportive business community and a welcoming spirit that will attract and retain skilled workers and entrepreneurs to enhance economic development opportunities and make Prince Edward Island a competitive destination of choice.

IIDI is responsible for immigration, settlement, retention, and overall population growth in Prince Edward Island. IIDI works closely with stakeholders to provide a comprehensive suite of programs and services for newcomers and Islanders that encourages population sustainability and growth.

Immigration Services

In 2013 Immigration Services was renamed the Office of Immigration, Settlement and Population ("OISP") to reflect the organization's expanded mandate. OISP is responsible for immigration, recruitment, settlement and repatriation to facilitate a holistic client-focused approach for all newcomers to Prince Edward Island ("PEI") to encourage positive retention outcomes. The programs and services provided create an efficient and streamlined approach to economic development and population growth in PEI. Clients and stakeholders can access the OISP's services and programs through its centralized website: www.opportunitiespei.ca.

The Atlantic Perspective

Atlantic Canada has a combined population of 2,363,409 (6.8% of the total Canadian population). The region shares several demographic characteristics that affect the region's ability to deliver its necessary programs and services such as low levels of immigration, high out-migration, and an aging population. These demographic challenges make immigration an important factor for addressing economic and population growth needs; therefore, OISP places equal importance on effective settlement programming and developing broad population initiatives to ensure that the Island has the robust workforce it needs to grow and prosper.

Prince Edward Island's population, which is estimated to be 146,105 as at June 30, 2012, increased by 410 (0.3%) from July 2011 to July 2012. This increase was lower than the national growth rate of 1.1%, but higher than the other Atlantic Provinces (Table 1). Prince Edward Island has continued to lead the Atlantic region in population growth percentage over the past three years. Over the past decade, Prince Edward Island has experienced a significant population increase, which can be mainly attributed to immigration (Table 2).

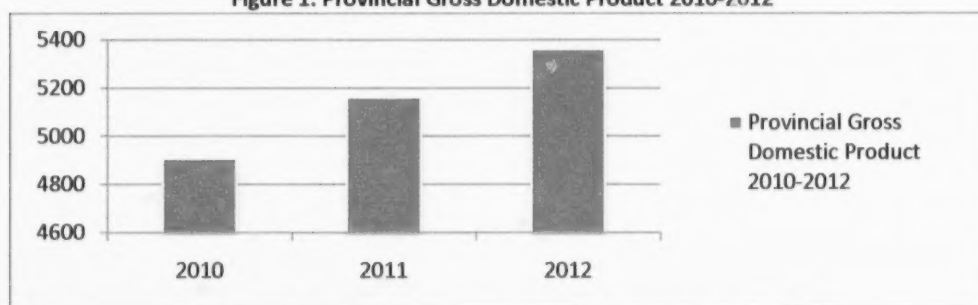
Table 1: Atlantic Provinces' Population Percentage of Growth by Year 2010-2012			
	2010	2011	2012
PEI Annual Change (%)	1.4	1.8	0.3
NL Annual Change (%)	0.5	0.2	0
NB Annual Change (%)	0.4	0.3	0.1
NS Annual Change (%)	0.5	0.3	0
Source: 39th Annual Statistical Review 2012, prepared by PEI Statistics Bureau, Department of Finance, Energy and Municipal Affairs, June 2013			

Table 2: Population and Components of Growth in Prince Edward Island (July 1 – June 30)			
	2010 ^(r)	2011 ^(p)	2012 ^(p)
Births	1,407	1,412	1420
Annual Change (%)	-4.3	0.4	0.6
Deaths	1,284	1,314	1,344
Annual Change (%)	2.5	2.3	2.3
Net Interprovincial Migration	60	-210	-1,252
Net International Migration	1,685	2,502	1,272
Non-Permanent Residents	155	228	314
Total Population	143,077	145,695	146,105
Annual Change (%)	1.16	1.54	1.82
r: revised data p: preliminary data - Population (t)=Population(t-1)+births-deaths + net interprovincial migration +net international migration + non-permanent residents + residual. Source: 39th Annual Statistical Review 2012, prepared by PEI Statistics Bureau, Department of Finance, Energy and Municipal Affairs, June 2013			

Economic Indicators

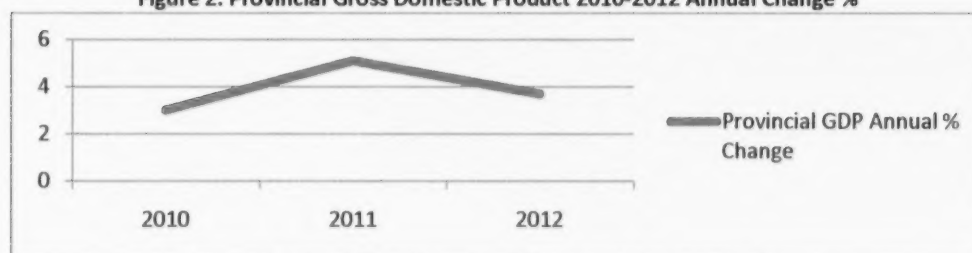
Immigration and population retention play major roles in the economic success of Prince Edward Island by sustaining and enhancing the local workforce and increasing the cultural wealth of the province, as it continues to strengthen its relationship with companies in the Bioscience, Information Technology, Renewable Energy, Aerospace and Manufacturing and Processing sectors (PEI's "Strategic Sectors"). With the skill level demanded in these expanding knowledge-based sectors, immigration is a significant factor to help address specific gaps in the labour force, and can attract entrepreneurs to enhance economic development opportunities in the province. During the economic downturn of 2008, Prince Edward Island minimized its impact of reduced economic activity that several other provinces experienced due to its focus on immigration and population retention. Prince Edward Island has maintained constant growth, despite global economic adversity and uncertainty (Figures 1 and 2).

Figure 1: Provincial Gross Domestic Product 2010-2012



Source: 39th Annual Statistical Review 2012, prepared by PEI Statistics Bureau, Department of Finance, Energy and Municipal Affairs, June 2013

Figure 2: Provincial Gross Domestic Product 2010-2012 Annual Change %

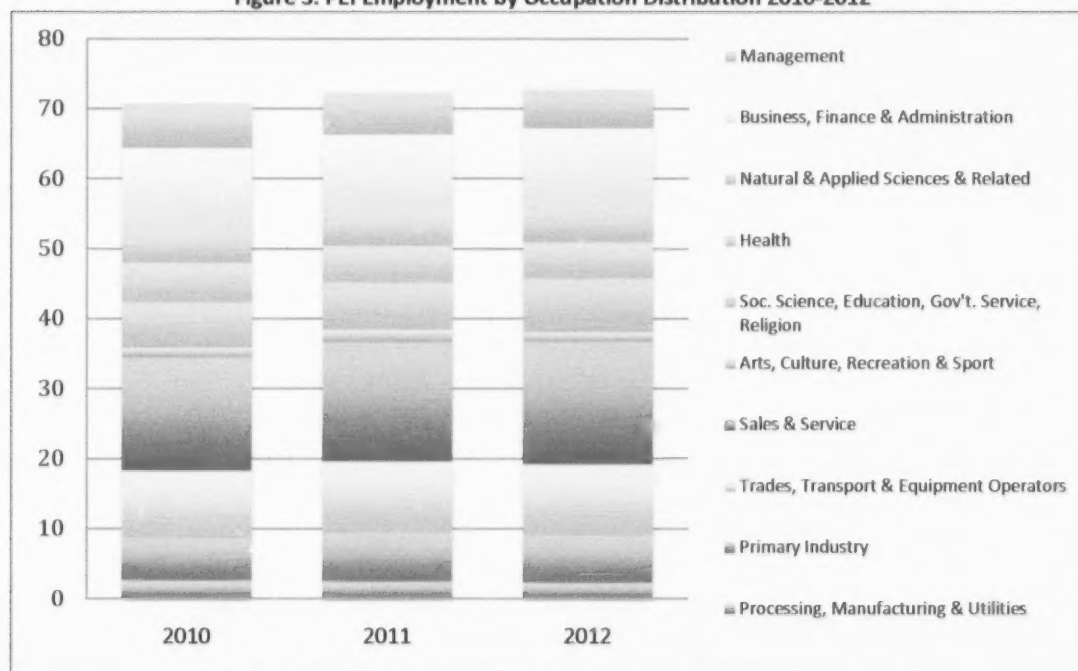


Source: 39th Annual Statistical Review 2012, prepared by PEI Statistics Bureau,
Department of Finance, Energy and Municipal Affairs, June 2013

The Strategic Sectors form a large part of the Island's knowledge-based economy and have emerged as significant contributors to the province's economy providing new jobs, investment opportunities, and connections to new markets. Each sector requires highly skilled employees and labour shortages are addressed through recruitment, immigration and retention. In addition to these high-knowledge positions, the province also seeks to attract semi-skilled and low-skilled workers to fill gaps in Prince Edward Island's labour market.

The annual average of total employment on Prince Edward Island increased by 1.1% from 72,000 in 2011 to 72,800 in 2012. In 2012, employment in the goods-producing sector decreased by 1.1% while employment in the service-providing sector increased 1.7% (Figure 3).

Figure 3: PEI Employment by Occupation Distribution 2010-2012



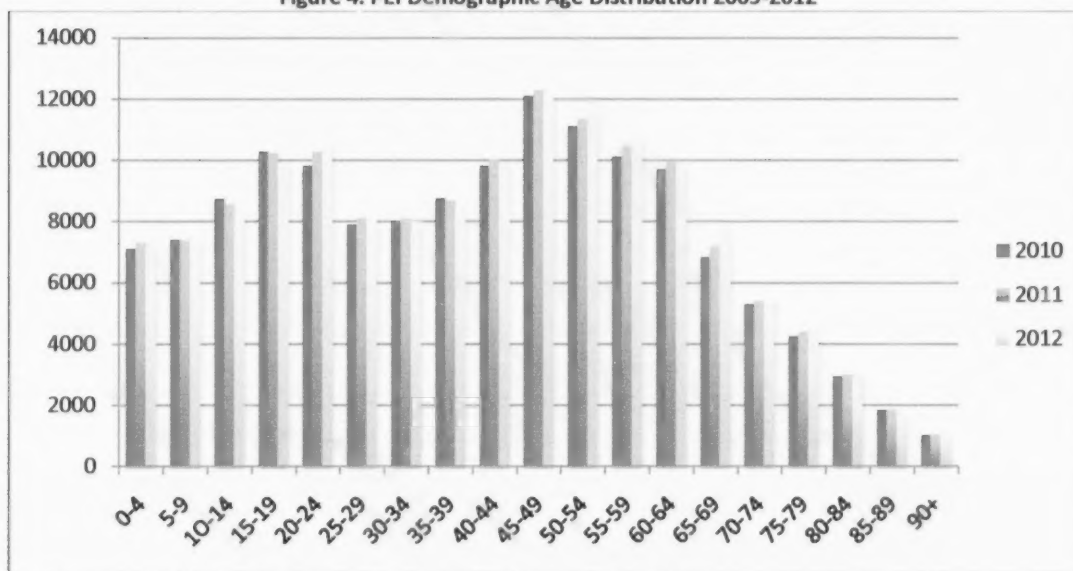
Source: 39th Annual Statistical Review 2012, prepared by PEI Statistics Bureau,
Department of Finance, Energy and Municipal Affairs, June 2013

The demographic distribution of the province determines the composition of the current and future labour force that is available to support the Island's economy. According to Statistics Canada, Prince Edward Island had a labour force of 82,000 in 2012 with employment of 72,800, a participation rate of 68%, and unemployment of 9,300 (11.3%). The Canadian participation rate was 66.7% and the unemployment rate was 7.2% over the same period.

Age demographics in Prince Edward Island play a large part in the labour force. In 2012, the median age of our population was 42.6 years while in 1971 it was 24.8 years. Of the total population 16% are between 0-14 and 16 % are 65 or older, which represents 32% of our total population that is likely not available for work. 46% of population is between 15-49 years of age and the remainder 22% of the population is 50-64 years of age (Figure 4).

As the population ages there will be more people exiting the labour force than entering, this impacts the supply of labour that is available for businesses and employers. It is vital that the province continues to take the necessary steps to increase the labour force population to satisfy the demand. Immigration is a part of the solution to help fill the gaps that cannot be filled by existing Islanders left by Prince Edward Island's changing demography and can have a positive impact on several aspects of the Island's infrastructure.

Figure 4: PEI Demographic Age Distribution 2009-2012



Source: 39th Annual Statistical Review 2012, prepared by PEI Statistics Bureau,
Department of Finance, Energy and Municipal Affairs, June 2013

Provincial Nominee Program

Established in 2001, the Prince Edward Island Provincial Nominee Program ("PEI PNP") has been an integral part of meeting Prince Edward Island's population, labour market and economic needs. Under the Agreement for Canada-Prince Edward Island Co-operation on Immigration ("the Agreement"), the PEI PNP is a Federal-Provincial partnership between the Province of Prince Edward Island, represented by OISP, and the Government of Canada, represented by Citizenship and Immigration Canada ("CIC"). The Agreement with CIC allows the selection of individuals who can meet the province's economic, labour market and population needs. The PEI PNP has been the primary driver for population growth while also serving to enhance the cultural diversity in the province.

Each province is striving to attract skilled individuals to help support their economic and population growth targets. Prior to the creation of the PEI PNP, the province relied on the federal government for immigration. Within the federal categories, Prince Edward Island receives approximately 150 permanent residents per year, with the Refugee class accounting for 40%. The PEI PNP provides the opportunity for the province to position itself internationally to compete for foreign talent. We are showing that the Province is vibrant and diverse and is open to qualified individuals and families who want to have a high quality of life with meaningful opportunities.

PEI PNP was redeveloped in 2011 to create two main categories that focus on five specific streams (intents). This new classification creates a renewed focus on the areas that make up IIDI's mandate to assist in addressing labour market gaps and supporting economic development opportunities. The categories and streams are as follows:

Business Impact Category

- 100% Ownership Stream
- Partial Ownership Stream
- Work Permit Stream

Labour Impact Category

- Skilled Worker Stream
- Critical Worker Stream
- International Student Stream –
closed December 31, 2012 by CIC
- Family Connection Stream –
closed December 31, 2012 by CIC

Labour Impact Category

The Skilled Worker Stream was developed to attract highly skilled workers to the province by nominating them to CIC for permanent residency. Opportunities for high-skilled and specialized labour exist in many of the province's Strategic Sectors. Potential nominees, who possess the necessary skills and fall under the National Occupational Classification (NOC) skill level 0, A or B, are eligible, provided they have obtained a post-secondary degree/diploma, experience in the intended profession, and a job offer from a Company in PEI.

The Critical Worker Stream helps to facilitate filling acute labour market shortages by enabling foreign workers to apply for permanent residency. The job being offered must fall under the NOC skill level C or D which requires the completion of a minimum of high school equivalent education or on the job training, and the applicant must have been working for the Company full time for a minimum of 6 months. There are currently five occupations selected for the pilot project: truck drivers, customer service representatives, labourers, food and beverage servers and housekeeping attendants.

Both the Skilled Worker Stream and the Critical Worker Stream attract potential nominees almost exclusively through the federal Temporary Foreign Worker Program. This program is administered jointly between Human Resources and Skills Development Canada (HRSDC) and CIC. They work to ensure that employment of foreign workers supports economic growth in the region and helps create more opportunities for all Canadians. Further information on this program can be found on CIC's website – www.cic.gc.ca. OISP also works closely with Temporary Foreign Students to ensure foreign nationals that are being educated in PEI's post-graduate schools are staying on PEI to find employment.

On December 31, 2012 the International Graduate and Family Connection Stream were closed by OISP in an attempt for the Province to avoid duplication with CIC's Immigration Programs. Many potential applicants who would have qualified for these programs are now applying as a Skilled Worker or Critical Worker, and others are applying through Federal Programs.

Business Impact Category

The 100% Ownership Stream was created to help stimulate entrepreneurship and new business ventures in PEI. The province has a long history of welcoming individuals with entrepreneurial spirit to help create new jobs and stimulate economic development opportunities. If the applicant meets program criteria and they are approved by our office, they sign an escrow agreement with the Province and are nominated for permanent residency to CIC. The escrow agreement requires that the applicant obtain 100% control of a business through the outright purchase of an existing business or the starting of a new business in PEI. This stream provides new entrepreneurs to the province's business community to foster its growth and prosperity while creating new market connections for Island products.

The Partial Ownership Stream is designed for applicants who wish to transition into the PEI business community by becoming a part owner in a business. If the applicant meets program criteria and they are

approved by our office, they will sign an escrow agreement with the Province and will be nominated for permanent residency to CIC. The applicant, amongst other conditions, must obtain 33 1/3% of the business' equity or invest \$1,000,000 CAD in the equity of the business. This stream provides new investment into the province's business community which will allow existing companies to grow while creating new market connections for Island products.

The Work Permit Stream allows applicants the opportunity to come to Prince Edward Island and begin working and learning about the business they are investing in prior to nomination by Prince Edward Island. If approved by OISP, the applicant will apply to CIC for a work permit to come to Prince Edward Island to start the process to invest in and operate the business in the province. Upon meeting the terms and conditions of a performance agreement, the applicant will be nominated by OISP for Permanent Residency to Canada.

Program Statistics

Since launching in 2011 the current PEI PN Programs have nominated 719 applicants to CIC for permanent residency. A further breakdown of these figures is presented in Table 3.

Table 3: Nominations by Category – Source: captured from the IIDI internal database						
	2010 – 2011		2011-2012		2012-2013	
	Number	%	Number	%	Number	%
100% Ownership Stream			32	20.51%	286	58.01%
Critical Worker Stream			44	28.21%	70	14.20%
Family Connection Stream (closed December 31, 2012)			19	12.18%	47	9.53%
Immigrant Connections (closed)	24	22.43%	6	3.85%		
Immigrant Entrepreneur (closed)	2	1.87%	5	3.21%		
Immigrant Partner (closed)						
International Graduate Stream (closed December 31, 2012)			4	2.56%	11	2.23%
Partial Ownership Stream			1	0.64%	2	0.41%
Skilled Worker	81	75.70%	45	28.85%	77	15.62%
Work Permit Stream						
Total:	107	100%	156	100%	493	100%

Once the province nominates an applicant, CIC must also review the file to ensure each potential newcomer is admissible to Canada. Approval rates have remained high throughout the partnership; reinforcing the high quality of applicants Prince Edward Island attracts and nominates. Since 2007

97.1% of all files nominated that have had a decision made on them at the federal level have been approved.

Of the immigrants nominated by Prince Edward Island, the majority are between the ages of 30-40 (Table 4). Most people in this age bracket are individuals who already have experience in their field of expertise who are able to easily integrate into PEI.

Table 4: Nominations by Age – Source: captured from the IIDi internal database						
	2010 - 2011		2011 - 2012		2012 - 2013	
Age Group	Number	%	Number	%	Number	%
22 - 29	27	25.23%	39	25.00%	67	13.59%
30 - 39	31	28.97%	50	32.05%	235	47.67%
40 - 49	34	31.78%	52	33.33%	164	33.27%
50 - 59	14	13.08%	13	8.33%	26	5.27%
60+	1	0.93%	2	1.28%	1	0.2%
Total:	107	100%	156	100%	493	100%

Of the immigrants being nominated by PEI, the top countries of origin have remained similar historically (Table 5.) Attracting immigrants from the same country helps to build community and strong cultural surroundings and increases retention for our province.

Table 5: Nominees by Country of Origin – Source: captured from the IIDi internal database									
	2010 - 2011			2011 - 2012			2012 - 2013		
	Country	Number	%	Country	Number	%	Country	Number	%
Top 6 Source Countries	China	15	14.02%	China	40	14.02%	China	285	57.8%
	Israel	15	14.02%	Philippines	34	14.02%	Philippines	66	13.39%
	Philippines	10	9.35%	Israel	12	9.35%	India	17	3.45%
	United Kingdom	10	9.35%	United Kingdom	8	9.35%	United Kingdom	11	2.23%
	India	8	7.48%	United States	7	7.48%	Vietnam	9	1.83%
	Germany	7	6.54%	Vietnam	4	6.54%	Iran	8	1.62%
	Other Source Countries	42	39.25%		51	39.25%		97	19.68%
Total:		107	100%		156	100%		493	100%

Nominees with education levels of 13–16 years have increased and those with 16 or more years of education had an even greater increase of 11.73%, proving that Prince Edward Island is filling the need for both well educated and high-skilled workers (Table 6).

Table 6: Nominees by Years of Education – Source: captured from the IIDI internal database

Years of Education	2010-2011		2011-2012		2012-2013	
	Number	%	Number	%	Number	%
12 or less	34	31.78%	43	27.56%	60	12.17%
13-16	37	34.58%	42	26.92%	151	30.63%
16 or more	35	32.71%	70	44.87%	279	56.6%
Not captured	1	0.93%	1	0.64%	3	0.61%
Total	107	100%	156	100%	493	100%

The NOC codes allow a more precise view of the types of jobs Nominees are filling in Prince Edward Island. In 2012-2013, NOC skill level O Nominees increased significantly (Table 7).

Table 7: Nominees by NOC – Source: captured from the IIDI internal database

		2010 - 2011		2011 - 2012		2012 - 2013	
		Number	%	Number	%	Number	%
O	Management Occupations	6	5.61%	48	30.77%	307	62.27%
A	Skill Level	29	27.10%	22	14.10%	40	8.11%
B	Skill Level	23	21.50%	31	19.87%	68	13.79%
C	Skill Level	39	36.45%	39	25.00%	55	11.16%
D	Skill Level	8	7.48%	16	10.26%	21	4.26%
Not Captured		2	1.87%			2	0.41%
Total:		107	100%	156	100%	493	100%

Skill Level A: Occupations usually require university education, such as auditor, physical science professionals, engineers;

Skill Level B: Occupations usually require college education or apprenticeship training, such as clerical supervisors, technical occupations in civil, mechanical and electrical engineering.

Skill C: Occupations usually require secondary school and/or occupation-specific training, such as clerical occupations, finance and insurance clerk

Skill D: On-the-job training is usually provided for occupations: such as cashiers, trades helpers and labourers.

The three factors mentioned above (age, education and community) are key factors in determining the likelihood of success of an immigrant after landing, and are therefore key factors we consider when assessing an applicant.

Recruitment

OISP's recruitment team works closely with diverse stakeholders, particularly Island businesses and employers, to market Prince Edward Island as a destination of choice that boasts rewarding career opportunities and offers a business community that is supportive of new entrepreneurs and skilled workers. Based on extensive and repeated stakeholder engagement activities, the recruitment team plans strategic missions in national and international markets to help address positions under duress in the province's labour market. OISP also actively raises positive awareness of the economic and social benefits of attracting and welcoming newcomers to Prince Edward Island. OISP strives to connect people who would like to settle in Prince Edward Island with the resources to help them build a career and live comfortably on the Island.

OISP adopts strategic recruitment approaches whereby missions are employer driven in markets where candidate pre-screening and overall retention are given significant consideration. In 2012-2013, OISP worked with the province's Information Technology sector to organize and deliver a customized Information Technology recruitment mission to Toronto, Ontario which focused on attraction and repatriation. OISP's recruitment team facilitates connections between employers and potential job seekers. These missions focus on extensive business engagement and participation because ultimately, the businesses are the ones hiring nominees.

Citizenship and Immigration Canada (CIC) Portal

CIC allocated funds to individual jurisdictions to increase the quality of online content for potential and landed immigrants. OISP was responsible for the CIC Portal Agreement for the province. As a result of this agreement, OISP created its centralized attraction website: www.opportunitiespei.ca. The website was designed after several consultations to maximize its user capability and friendliness. The portal acts as an effective attraction tool for potential newcomers and provides a comprehensive overview of the advantages of living in our province.

PEI Is My Home

OISP worked with a local multimedia company to produce testimonial videos that are can be viewed on www.opportunitiespei.ca. The videos serve as an attraction tools for newcomers and Islanders living outside of the province to encourage connecting or reconnecting to the province.

Settlement/Retention

Prince Edward Island Settlement Strategy

The Prince Edward Island Settlement Strategy was released in December 2010 to guide service providing organizations and the Public Service in settling, integrating, and retaining newcomers in Prince Edward Island. The Strategy remains a significant pillar in IIDI's mandate to sustain and grow Prince Edward Island's population while also encouraging a more diverse population.

PEI Connectors Program

The PEI Connectors Connecting Newcomers, Business and Opportunities Program is delivered by the Greater Charlottetown Area Chamber of Commerce. The PEI Connectors Program was launched in June 2011 and continues to be delivered. The Program is funded to:

- Focus on introducing interested newcomers to key business and government contacts;
- Facilitate newcomers either establishing their own business or joining existing businesses;
- Focus on enterprise and business development; and
- Connect newcomers who wish to pursue professional and/or employment interests to the most appropriate body

An Advisory Committee comprised of prominent business leaders was developed by the Chamber to provide advice and referrals to support the program.

PEI Association for Newcomers to Canada (PEI ANC)

The PEI ANC is the primary settlement service providing organization in the province. OISP works closely with the PEI ANC to help encourage positive newcomer settlement, integration, and retention outcomes. OISP also works closely with CIC to provide adaptive and responsive funding to ensure that we can settle and retain immigrants coming to Prince Edward Island.

The PEI ANC currently has 9 different programs. These programs focus on the primary areas:

- Settlement and Integration;
- Employment Programs;
- Immigrant Youth;
- Language Services; and
- Community Outreach

As language barriers can be a challenge in accessing primary services, OISP has broadened the criteria for which an interpreter can be provided free of charge for various newcomer needs. OISP has provided funding to the PEI ANC on a needs basis to enhance interpretation services to include pharmacy visits and school orientations and ensures along with PEI ANC that interpreters are discreet, sensitive and professional. Once more, this is an initiative that is adaptive and responsive to evolving newcomer needs in the province. This initiative helps ensure that newcomers are comfortably and confidently accessing the services they require to settle, integrate and stay in Prince Edward Island.

Collaborate for Diversity Events

OISP continues to support the *DiverseCity* event held each summer on Victoria Row in Charlottetown. This popular annual event is a family friendly, free multicultural street festival that features live performances, a cultural craft fair, international food, games and activities. This event is consistently well attended and is an opportunity for all Islanders to celebrate our rich cultural diversity.

OISP also continue to support the *International Tea House*, which was one of the few initiatives in Prince Edward Island that provides an atmosphere of multicultural collaboration and where cultures interact in an educational and social environment. As result of this worthwhile series of events, there is an improved understanding of multiculturalism and the contributions of newcomers in Prince Edward Island.

Interdepartmental Working Group on Immigration and Settlement

Newcomers arriving to Prince Edward Island access numerous programs and services from multiple government departments, agencies, and other stakeholders. OISP recognizes the importance of sharing settlement responsibilities in the province to help newcomers settle and integrate into their new home. This committee was struck as a partnership of provincial government departments and affiliated agencies to discuss issues affecting settlement and retention from a government service delivery and policy perspective. As an initiative of the Prince Edward Island Settlement Strategy, the committee is intended to identify issues for which departmental policy does not exist and to facilitate ongoing interdepartmental communication to achieve a holistic provincial approach to positive immigrant settlement outcomes that may lead to increased newcomer retention.

Prince Edward Island Newcomers Guide

The Newcomers Guide to Prince Edward Island is a print and online resource for potential and landed immigrants to Prince Edward Island. This guide is designed to ease the transition process for newcomers and provide them with information and direction on a number of orientation items and other needs they may encounter during their first weeks, months and years in the province. The guide can be located at www.opportunitiespei.ca

Language Services

Language proficiency is an important element for newcomers obtaining meaningful employment and enhancing civic participation. Newcomers may face barriers if they have difficulty communicating in one of Canada's official languages. CIC provides funding to Study Abroad and Holland College to deliver language training to newcomers in Prince Edward Island. In 2012-2013, OISP funded 50 language seats to supplement CIC language instruction for newcomers. OISP recognizes that language training helps immigrants' economic and social integration and retention in Prince Edward Island.

La Coopérative d'intégration francophone (CIF)

CIF is responsible for creating welcoming communities for francophone newcomers to the province. In 2012-2013, the organization implemented several initiatives including: anti-racism workshops for educators, community networking gatherings, promotional activities, and diversity presentations in schools. OISP continued to work with CIF to encourage effective francophone attraction, settlement, and retention in Prince Edward Island.

PERCÉ

RDÉE administers the PERCÉ program, which offers post-secondary students paid internships opportunities in their field of study. PERCÉ is designed to provide a means for Island youth to access employment opportunities in Prince Edward Island, which helps encourage repatriation and increase youth retention. In 2012-2013, OISP provided funding to RDÉE to continue delivering PERCÉ. The Program had 18 participants placed in different sectors across the province. 9 Francophones and 9 Anglophones participated.

Use of Proceeds Agreement

Following the recommendation of the Auditor General, IIDI developed follow-up procedures for businesses that signed a Use of Proceeds Agreement through the Immigrant Partner Stream of the Provincial Nominee Program that closed in 2008. The file numbers of all businesses that signed a Use of Proceeds Agreement formed the population and a random sample was blindly selected by a qualified Chartered Accountant firm applying Canadian Generally Accepted Auditing Standards. The firm was not provided with the names of the businesses, nor was the firm given any information that would be relevant in determining the businesses' identities.

All businesses selected in the sample were contacted by IIDI and were required to provide information to prove they were materially in compliance with their agreement. This included financial statements, a statement from the business, and any other information that may be relevant.

As of year-end, the interim results of IIDI's review of companies randomly selected for follow-up are as follows:

Investee companies deemed to be in compliance	148	94%	
IIDI has requested additional information from Investee Companies (work in progress)	7	3%	Note 1
Companies not located or deemed not to be in compliance	<u>3</u>	<u>2%</u>	Note 2
Sample size	158	100%	

Note 1 - IIDI has currently asked several companies for additional information necessary for IIDI to complete its review. IIDI is not able to determine compliance based on the information provided to date.

Note 2 - Three companies have not been able to provide documentation to support their compliance with the Use of Proceeds Agreement. IIDI is in the process of assessing the penalty against these companies.

Subsequent to year-end, IIDI completed the review of 155 of these companies and has requested additional information from 3 companies to ensure there is sufficient information to make a decision.

Investee companies deemed to be in compliance	151	96%
IIDI has requested additional information from Investee Companies (work in progress)	3	2%
Companies not located or deemed not to be in compliance	<u>4</u>	<u>2%</u>
Sample size	158	100%

Of the 158 companies in the sample 151 were found to be in compliance, or 96%. IIDI is satisfied that the result of the sampled companies indicates that, in general, the proceeds from investment were used as intended as outlined in the Agreement and IIDI does not anticipate expanding the sample further.

Fund Management and Lending

IIDI, through Prince Edward Island Century 2000 Fund Inc. ("PEICF"), receives repayable advances from the Federal Immigrant Fund which are, in turn, used to make strategic repayable loans to Prince Edward Island businesses in an effort to stimulate economic development.

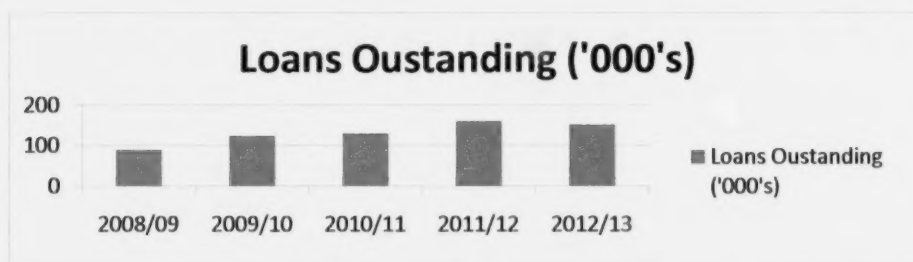
General lending conditions associated with PEICF loans are as follows:

- Loans are available for a maximum term of 5 years, which matches PEICF's 5 year term with the Federal Immigration Fund;
- Loans bear interest at an annual rate of 4%. The annual rate is comprised of PEICF's cost of borrowing from the Federal Immigration Fund, the cost to administer the loan portfolio and the risk associated with lending activities;
- All loans must be secured and, as such, PEICF seeks similar security packages as would be ordinarily sought by a traditional chartered bank.

PEICF's lending activities are aligned with provincial priorities and Innovation PEI's Strategic Sectors. On occasions, PEICF may also finance certain projects that may fall outside of IPEI's strategic Sectors, that have significant economic benefits to the Island community. Some examples of PEICF's strategic lending activities include our participation in certain major projects undertaken in Summerside, Charlottetown, Morell, Georgetown and other communities across the province that will significantly contribute to the future economic prosperity of these communities and the province.

During fiscal 2012/13, PEICF's loan portfolio exhibited growth with \$25.0 million in new loans approved to Island businesses having an average loan size of \$1.67 million. Overall, the total number of loan accounts at fiscal increased by 1% to 95 while the portfolio value (loans outstanding) decreased by 5% to \$151.1 million in comparison to the prior fiscal year.

At fiscal year-end, the financing approved for several large projects remained undisbursed, therefore, is not reflected in the value of loans outstanding. In many instances PEICF works in partnership with traditional lending institutions, Federal Government agencies and other local economic development agencies to complete financing packages for projects.



Appendix A

Island Investment Development Inc.

Board of Directors 2012-2013

Board Member	Department
Neil Stewart	Innovation and Advanced Learning
Richard Gallant	Fisheries, Aquaculture and Rural Development
Doug Clow	Department of Finance, Energy and Municipal Affairs
Jamie Aiken	Finance PEI
John MacQuarrie	Department of Agriculture and Forestry
Cheryl Paynter	Innovation PEI

Appendix B

Audited Financial Statements

Island Investment Development Inc.

Consolidated Financial Statements
March 31, 2013



ArsenaultBestCameronEllis
CHARTERED ACCOUNTANTS

A Member Firm of The AC Group of Independent Accounting Firms Limited

Chartered Accountants &
Business Advisors
Prince Edward Place
80 Water Street
PO Box 488
Charlottetown, Prince Edward Island
Canada C1A 7L1
Telephone (866) 366-1100
Fax (866) 366-3074
www.abce.ca

June 18, 2013

Independent Auditor's Report

To the Board of Directors of Island Investment Development Inc.

We have audited the accompanying consolidated financial statements of **Island Investment Development Inc.**, which comprise the consolidated statement of financial position as at March 31, 2013, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Island Investment Development Inc.** as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ArsenaultBestCameronEllis

Chartered Accountants

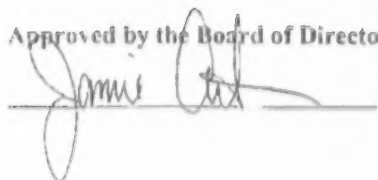
Island Investment Development Inc.

Consolidated Statement of Financial Position

As at March 31, 2013

	2013 \$	2012 \$
Assets		
Cash	46,801,685	30,882,778
Marketable securities	93,859,739	99,953,265
Accounts receivable (note 12)	674,750	192,705
Demand loan receivable (note 6)	6,998,621	6,998,621
Notes receivable (note 7)	124,636,103	130,940,279
Advances to related companies (note 12)	3,515,000	3,577,500
Investment in private company (note 8)	37,500	-
Deferred financing costs (note 9)	6,191,889	7,602,930
Restricted funds (note 10)		
Cash and marketable securities	45,543,879	38,060,256
	<u>328,259,166</u>	<u>318,208,334</u>
Liabilities		
Accounts payable and accrued liabilities (note 12)	957,664	1,171,249
Notes payable (note 11)	211,985,720	225,836,710
Restricted funds (note 10)	45,543,879	38,060,256
	<u>258,487,263</u>	<u>265,068,215</u>
Contingent liability (note 14)		
Retained earnings	<u>69,771,903</u>	<u>53,140,119</u>
	<u>328,259,166</u>	<u>318,208,334</u>

Approved by the Board of Directors

 Director

(2)

 Director

Island Investment Development Inc.

Consolidated Statement of Changes in Equity

For the year ended March 31, 2013

	2013 \$	2012 \$
Retained earnings - Beginning of year	53,140,119	37,504,253
Net earnings for the year	16,631,784	15,635,866
Retained earnings - End of year	69,771,903	53,140,119

Island Investment Development Inc.
Consolidated Statement of Comprehensive Income
For the year ended March 31, 2013

	2013 \$	2012 \$
Revenue		
Interest on notes and loan receivable (note 12)	5,474,251	5,930,566
Investment income on marketable securities	2,114,389	3,584,874
Provincial Nominee Program fees	1,202,000	432,000
Provincial Nominee Program defaults (note 10)	13,374,890	17,801,948
Grants - related company (note 12)	-	1,140,000
Interview fees	300,006	-
	<u>22,465,536</u>	<u>28,889,388</u>
Expenses		
Salaries (note 12)	1,195,797	671,593
Management fees (note 12)	500,000	500,000
Interest and bank charges	2,744	2,295
Interest on notes payable	166,176	-
Professional fees	601,915	318,705
Office	108,716	37,107
Meetings and conferences	11,654	8,062
Promotion and advertising	17,809	19,146
Equipment	10,328	-
Provision for possible losses (recovery)	(86,190)	6,831,864
Consulting fees	143,670	143,649
Travel	133,185	28,894
Grants - private companies	565,028	-
Education contribution	57,590	969,154
Rent	50,000	50,000
Technology services	-	65,000
Amortization	2,964,200	2,927,776
	<u>6,442,622</u>	<u>12,573,245</u>
Operating earnings	16,022,914	16,316,143
Other income (expense)		
Unrealized gain (loss) on marketable securities	608,870	(680,277)
Net earnings for the year	<u>16,631,784</u>	<u>15,635,866</u>

Island Investment Development Inc.

Consolidated Statement of Cash Flows

For the year ended March 31, 2013

	2013 \$	2012 \$
Cash provided by (used in)		
Operating activities		
Net earnings for the year	16,631,784	15,635,866
Items not affecting cash		
Amortization of deferred financing costs	2,964,200	2,927,776
Unrealized loss (gain) on marketable securities	(608,870)	680,277
Provision for possible losses	(86,190)	6,831,864
	18,900,924	26,075,783
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	(482,045)	39,007
Increase (decrease) in accounts payable and accrued liabilities	(213,585)	100,094
	18,205,294	26,214,884
Financing activities		
Increase (decrease) in notes payable - net	(13,850,990)	22,582,921
Decrease (increase) in advances to related companies	62,500	(1,077,500)
	(13,788,490)	21,505,421
Investing activities		
Increase in investment in private company	(37,500)	-
Decrease (increase) in marketable securities - net	6,702,395	(17,381,963)
Decrease (increase) in restricted funds - cash and marketable securities	(7,483,623)	25,923,174
Increase (decrease) in restricted funds - liability	7,483,623	(25,923,174)
Decrease (increase) in notes receivable - net	6,390,366	(31,638,370)
Increase in deferred financing costs	(1,553,158)	(2,544,998)
	11,502,103	(51,565,331)
Increase (decrease) in cash	15,918,907	(3,845,026)
Cash - Beginning of year	30,882,778	34,727,804
Cash - End of year	46,801,685	30,882,778
Supplementary disclosure		
Interest received	9,344,524	9,700,768
Interest paid	117,170	902

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2013

1 Reporting entity

The company is a provincial Crown corporation established under the provisions of the Island Investment Development Inc. Act and is therefore a non-taxable entity under the provisions of the Income Tax Act.

The company is the corporate administrator of government-administered venture capital funds in the Province of Prince Edward Island with its purpose to invest in active business operations. The investments are made in typically new or expanding companies.

The company administers the Prince Edward Island Provincial Nominee Program on behalf of the Province of Prince Edward Island, and charges applicants under the program various fees to process the applications received.

Island Investment Development Inc.'s head office is located in Charlottetown, Prince Edward Island.

Island Investment Development Inc. prepares its financial statements in compliance with Canadian International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements have been approved for issue by the Board of Directors on June 18, 2013.

2 Summary of significant accounting policies

(a) Basis of consolidation

These financial statements include the operations of Island Investment Development Inc. and its wholly-owned subsidiary, Prince Edward Island Century 2000 Fund Inc. (Century 2000 Fund).

(b) Basis of measurement

These financial statements have been presented on the historical cost basis except for certain financial instruments as indicated in note 2(d).

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the company's functional currency.

(d) Financial instruments

i) Recognition and measurement

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued. At initial recognition, the company classifies its financial instruments as follows:

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2013

- Financial instruments at fair value through profit or loss (FVTPL)

Financial assets held for trading are reported at FVTPL with changes in fair value reported through the statement of comprehensive income. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term, if so designated by management or it is a derivative that is not designated and effective as a hedging instrument. Transaction costs are expensed.

Assets in this category includes marketable securities.

- Available for sale ("AFS")

Available for sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available for sale investments are recognized initially at fair value plus transactions costs, and are subsequently carried at fair value, other than the company's investment in certain shares as their fair value cannot be reliably measured. Upon such time that their fair value can be reliably measured, the carrying amount of these financial assets will be adjusted to fair value. Gains and losses arising from remeasurement are recognized in other comprehensive income.

Dividends or distributions on available for sale investments are recognized in the statement of comprehensive income as investment income, when the company's right to receive payment is established.

Assets in this category include investment in private company.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recorded at fair value on initial recognition and subsequently at amortized cost using the effective interest method.

Assets in this category includes cash, accounts receivable, advances to related companies, demand loan receivable and notes receivable.

- Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

Liabilities in this category include accounts payable and accrued liabilities, notes payable and restricted funds.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2013

ii) Impairment of financial instruments

The company determines, at each statement of financial position date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired, and impairment losses are recorded, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the company on non-market terms that the company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as conditions that correlate with defaults in the group.

- Financial assets classified as loans and receivables

For the purposes of individual evaluation of impairment, the amount of the impairment loss on a loan or receivable is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of earnings. The calculation of the carrying value reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the company to reduce any differences between loss estimates and actual loss experience. When a loan is uncollectible, it is written off after all the necessary procedures have been completed and the amount of loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of earnings in provision for possible losses expense.

Loans that were past due and either subject to collective impairment assessment or are individually significant and whose terms have been renegotiated are not longer considered to be past due but are treated as new loans. In subsequent years, if the loan becomes past due, this will be disclosed only if renegotiated again.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2013

- Assets classified as available for sale

At each balance sheet date, the company assessed if there is objective evidence that an AFS financial asset may be impaired. A significant or prolonged decline in the fair value of an AFS security below its costs is considered objective evidence in determining whether the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is reclassified from equity and recognized in the statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed.

(c) Cash

Cash consists of cash held in banks.

(f) Deferred financing costs

The costs incurred in obtaining financing have been capitalized and are being amortized using the straight-line basis over the term of the notes payable, which is sixty months.

(g) Revenue recognition

Investment income is recorded in the period earned.

Interest accrued on notes and loans receivable is recognized as revenue in the period earned.

Provincial Nominee Program fees and interview fees are recorded as revenue when earned.

Provincial Nominee Program defaults are recorded as revenue in the year in which the deposit period ends and the applicant does not meet the conditions for repayment.

(h) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and report amounts of assets, liabilities, revenue and expenses during the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The judgments that have the most significant effect on the amounts recognized in the financial statements are with respect to the allowance for loan losses, as detailed in note 4.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2013

(i) Standards issued but not yet effective

As at March 31, 2013, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for these financial statements. Other than the introduction of IFRS 9 described below, these changes are not expected to have a material impact on the financial statements.

IFRS 9 Financial Instruments, was issued in November 2009 and addresses classifications and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaced the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

This standard is effective for periods beginning on or after January 1, 2015.

3 Agent agreement

Prince Edward Island Century 2000 Fund Inc.

The Federal Minister of Citizenship and Immigration acts as an Agent for the company by receiving investments from immigrant investors and disbursing them to the provincial designates in accordance with the allocation formula set out in the federal Immigration Regulations, 1978. All monies received by the Agent pursuant to the issuance of debt obligations are held by the Agent in a separate account from the moment such monies are received, on behalf of the company and the provincial designates. Investments are subject to a commission agreement whereby a 7% commission (effective for facilitated investments received between July 1, 2001 and December 1, 2010) or a 5% commission (effective for facilitated investments received on or after December 1, 2010) on the provincial allocation is paid to a party which facilitates an investment. These commissions are paid out of the special account by the Agent on the first day of the second month following the issuance of a visa to the investor who made the facilitated investment, and are recorded as deferred financing charges by the company.

The Agent disburses the provincial allocation, less applicable commissions, to the company at the beginning of the five-year allocation period. The Agent issues a promissory note to the investor on behalf of the company. The company is obligated to repay the note, bearing interest at 0%, within 30 days after the expiry of the allocation period.

The company is required to repay the investor, through the Agent, the investor's provincial allocation within 90 days of receipt by the Agent of a request by the investor to withdraw his/her application for permanent residence, or upon the refusal of the application by the Minister.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2013

4 Critical accounting estimates and judgments

The company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the period the assumptions changed. The principal area involving a higher degree of judgment or complexity and/or area which require significant estimates is described below:

Provision for possible losses

The company regularly reviews its loan portfolio of notes receivable to assess for impairment. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the company makes judgments as to whether there is any observable data indicating an impairment trigger followed by a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of members in a group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

Fair value of financial instruments

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using specific valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments. Where market observable data inputs are not available, they are estimated based on appropriate assumption. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by management.

For investments in private company, consideration was given as to whether or not par value was equal to redemption value and whether the company had the right to redeem those shares at their discretion. To the extent that the redemption value of those shares is equal to their par value, then these shares will also be designated as AFS at fair value with fair value equal to (or in the case of potential impairment, less than) par value. These investments are reported at par value on the basis that they are not liquid investments and have a limited number of potential purchasers. Where fair value cannot be reliably measured, these investments are recorded at cost.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2013

5 Financial instruments

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	March 31, 2013		March 30, 2012	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Assets carried at fair value				
Financial assets held for trading	139,403,618	139,403,618	138,013,521	138,013,521
Assets carried at amortized cost				
Notes, receivables and advances	135,824,474	135,824,474	141,709,105	141,709,105
Cash	46,801,685	46,801,685	30,882,778	30,882,778
Investment available for sale	37,500	37,500	-	-
	182,663,659	182,663,659	172,591,883	172,591,883
Liabilities carried at amortized cost				
Accounts payable and accrued liabilities	957,664	957,664	1,171,249	1,171,249
Notes payable	211,985,720	211,985,720	225,836,710	225,836,710
Restricted funds	45,543,879	45,543,879	38,060,256	38,060,256
	258,487,263	258,487,263	265,068,215	265,068,215

The fair value of financial assets held for trading is determined by their quoted market value at the reporting date.

6 Demand loan receivable

During a prior year, the company entered into an agreement with Innovation PEI, a provincial Crown corporation, to provide a \$15,000,000 revolving line of credit. During the current year, this agreement was transferred to Finance PEI. The balance of the line of credit at March 31, 2013 is \$6,998,621 (2012 - \$6,998,621).

Interest is charged monthly at a rate equal to the Department of Provincial Treasury of Prince Edward Island's short-term lending rate and the total amount is repayable on demand.

The demand loan is secured by a promissory note for \$15,000,000 and a revolving credit agreement.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2013

7 Notes receivable

				March 31, 2013	March 31, 2012
	Total \$	Impaired loans included in total \$	Individual Allowance \$	Net \$	Net \$
Working capital					
Manufacturing and processing	2,494,825	2,494,825	1,671,067	823,758	873,188
Tourism	25,105,132	23,653,609	7,875,000	17,230,132	15,403,931
Small business	17,379,119	6,507,873	2,108,781	15,270,338	19,981,210
	<u>44,979,076</u>	<u>32,656,307</u>	<u>11,654,848</u>	<u>33,324,228</u>	<u>36,258,329</u>
Long-term loans					
Manufacturing and processing	71,398,475	10,821,792	6,916,610	64,481,865	65,500,906
Technology	3,891,585	-	-	3,891,585	3,198,300
Acrospace	9,376,159	7,559,965	7,559,965	1,816,194	5,579,103
Tourism	17,427,554	11,525,532	3,436,391	13,991,163	13,451,755
Small business	6,441,392	950,000	950,000	5,491,392	5,343,372
Agriculture	486,110	486,110	486,110	-	1,029
	<u>109,021,275</u>	<u>31,343,399</u>	<u>19,349,076</u>	<u>89,672,199</u>	<u>93,074,465</u>
Accrued interest	<u>3,071,815</u>	<u>-</u>	<u>1,432,139</u>	<u>1,639,676</u>	<u>1,607,485</u>
	<u>157,072,166</u>	<u>63,999,706</u>	<u>32,436,063</u>	<u>124,636,103</u>	<u>130,940,279</u>

The fair value of the collateral held by the company as security for the impaired loans was \$33,724,907 (2012 - \$40,592,693). The company has estimated the fair value of collateral based on an updated assessment of the security appraisal undertaken at the original funding assessment and management's knowledge of local real estate and business market conditions.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2013

Continuity of individual allowance

	Beginning balance \$	Provision \$	Reversal \$	March 31, 2013 Ending Balance \$	March 31, 2012 Ending Balance \$
Working capital					
Manufacturing and processing	1,621,637	49,430	-	1,671,067	1,621,637
Tourism	10,000,000	-	2,125,000	7,875,000	10,000,000
Small business	2,261,141	-	152,360	2,108,781	2,261,141
	13,882,778	49,430	2,277,360	11,654,848	13,882,778
Long-term loans					
Manufacturing and processing	8,019,193	-	1,102,583	6,916,610	8,019,193
Technology	-	-	-	-	-
Acrospace	5,140,000	2,419,965	-	7,559,965	5,140,000
Tourism	3,836,391	-	400,000	3,436,391	3,836,391
Small business	-	950,000	-	950,000	-
Agriculture	486,110	-	-	486,110	486,110
	17,481,694	3,369,965	1,502,583	19,349,076	17,481,694
Accrued interest	1,157,781	274,358	-	1,432,139	1,157,781
	32,522,253	3,693,753	3,779,943	32,436,063	32,522,253

Loans past due but not impaired

A loan is considered past due when a payment has not been received by the contractual due date. The following table presents the carrying value of the loans that are past due but not classified as impaired as they are either (i) less than 90 days past due unless there is information to the contrary that an impairment event has occurred or (ii) fully secured and collection efforts are reasonably expected to result in repayment.

Loans that are past due but not impaired are as follows:

	Current \$	90 - 120 days \$	120 - 150 days \$	150 - 180 days \$	+180 days \$	Total \$
As at:						
March 31, 2013	84,002,109	-	-	-	5,998,539	90,000,648
March 30, 2012	88,692,590	999,000	-	1,624,365	2,623,084	93,939,039

During the years ended March 31, 2013 and 2012, the company did not acquire any assets in respect of delinquent loans.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2013

Related party notes:

Included in long-term loans technology is \$2,650,000 (2012 - \$2,498,300) and in long-term loans small business is \$450,320 (2012 - \$476,723) in notes receivable due from The Charlottetown Area Development Corporation.

Included in long-term loans manufacturing and processing are unsecured notes receivable due from Finance PEI of \$3,310,395 (2012 - \$1,987,344).

Included in accrued interest is \$365,826 (2012 - \$266,736) from Finance PEI and \$85,405 (2012 - \$59,231) due from The Charlottetown Area Development Corporation.

8 Investment in private company

	2013 \$	2012 \$
Atlantic Canada Regional Venture Fund LP	37,500	-

9 Deferred financing costs

	2013		2012	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Commissions	13,790,464	7,598,575	6,191,889	7,602,930

10 Restricted funds

Restricted funds held in trust consist of the following amounts held under the Provincial Nominee Program:

	2013 \$	2012 \$
Good Faith deposits	8,405,901	22,883,145
Entrepreneur Program deposits	1,028,323	1,024,273
Language deposits	3,569,655	10,332,838
Good Faith deposits - new program	31,900,000	3,500,000
Language deposits - new program	40,000	20,000
Intermediary deposits	600,000	300,000
	45,543,879	38,060,256

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2013

- (a) Certain applicants under the Prince Edward Island Provincial Nominee Program have entered into a good faith deposit agreement with the company. Under this agreement, each applicant deposits \$25,000 with their application. The deposit is held for a period of one year from the date the applicant is granted permanent resident status by the Government of Canada. At the end of this period, the deposit is returned to the applicant, plus interest, provided the applicant provides evidence that the conditions set out in the agreement have been met. In the event that the applicant does not meet the conditions for repayment, the company records the deposit amount, plus accrued interest, as revenue in the fiscal year in which the deposit period ends. During the year, two hundred and twenty-three applicants (2012 - two hundred and ninety-three applicants) were refunded \$5,575,000 (2012 - \$7,325,000) and three hundred and fifty-five (2012 - four hundred and fifty-two applicants) defaulted totaling \$8,912,479 (2012 - \$11,340,813).
- b) Certain applicants under the Prince Edward Island Provincial Nominee Program - Business Impact Category have entered into an escrow agreement with the company. Under this agreement, each applicant deposits \$100,000 until such time as the conditions set out in the escrow agreement have been met. Once the conditions have been met, the deposit is returned to the applicant, plus interest. In the case that the applicant does not meet the conditions for repayment, the company records the deposit amount, plus accrued interest, as revenue in the fiscal year in which the deposit period ends. During the year, there were two hundred and eighty-five new applications (2012 - four) totaling \$28,500,000 (2012 - \$400,000) in deposits, one applicant (2012 - none) was refunded totaling \$100,000 (2012 - nil) and no applicants (2012 - one) defaulted totaling nil (2012 - \$100,000).
- c) Certain applicants under the Prince Edward Island Provincial Nominee Program have entered into a language proficiency agreement with the company. Under this agreement, each applicant deposits \$20,000 with their application. The deposit is held until one year after the applicant is granted permanent residents status by the Government of Canada. Once the conditions of the agreement are met, the deposit is returned to the applicant, plus interest at 1%. If the conditions are not met, the company records the deposit amount, plus accrued interest, as revenue in the fiscal year in which the deposit period ends. During the year, there were no new applications (2012 - four) totaling nil (2012 - \$80,000) in deposits, one hundred and fifteen (2012 - two hundred and forty-one applicants) were refunded \$2,300,000 (2012 - \$4,820,000) and two hundred and twenty-three (2012 - three hundred and eighteen applicants) defaulted totaling \$4,462,411 (2012 - \$6,361,135). During the year, there was one new applicant in the language deposits - new program (2012 - one) totaling \$20,000 (2012 - \$20,000) in deposits.

For all above-noted agreements signed prior to April 1, 2006, all interest earned on funds held in trust is recorded as a trust liability when interest is received by the company. Interest is refunded to the applicant if the conditions for repayment are met.

For all above-noted agreements signed subsequent to April 1, 2006, the applicant's deposits are non-interest bearing with any interest earned on the deposits being recorded as revenue by the company.

The company has internally restricted marketable securities to meet or exceed the restricted funds payable.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2013

11 Notes payable

	2013 \$	2012 \$
Non-interest bearing notes payable, nominally dated with commencement dates ranging from April 1, 2008 to April 1, 2013, repayable in full in five years from the commencement date pursuant to the federally administered Immigrant Investor Program	204,852,903	225,836,710
3.11% term loan, due July 6, 2022, to the Province of Prince Edward Island, payable in \$433,359 monthly payments including interest	7,081,711	-
Accrued interest payable	51,106	-
	<u>211,985,720</u>	<u>225,836,710</u>

All notes payable are pursuant to the Immigrant Investor Regulations.

The Province of Prince Edward has provided a guarantee of the notes payable to the Minister of Citizenship and Immigration (Agent) in the event of the failure of Prince Edward Island Century 2000 Fund Inc. to repay the notes payable to the Agent within 30 days following the end of the allocation period.

The principal payments due on the notes payable over the next five years are as follows:

	\$
Year ending March 31, 2014	44,482,534
2015	46,276,782
2016	50,580,521
2017	41,079,553
2018	25,902,192

12 Related party transactions

Related parties

The Charlottetown Area Development Corporation is 83% owned by the Province of Prince Edward Island.

Finance PEI and Innovation PEI are provincial Crown corporations of the Province of Prince Edward Island.

PEI Biocommons Inc. is a subsidiary of a Crown corporation.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2013

Related party balances

Included in accounts receivable is \$54,695 (2012 - \$54,695) from the Department of Community and Cultural Affairs.

Included in notes receivable is accrued interest of \$85,405 and notes receivable of \$3,100,320 due from The Charlottetown Area Development Corporation.

Included in accounts payable and accrued liabilities is \$450,000 (2012 - nil) to Finance PEI and \$363,602 (2012 - \$333,056) to Innovation PEI.

Advances to (from) related companies:

	2013 \$	2012 \$
PEI Biocommons Inc.	2,500,000	2,500,000
Innovation PEI	1,140,000	1,077,500
Finance PEI	(125,000)	-
	<u>3,515,000</u>	<u>3,577,500</u>

Advances to related companies are non-interest bearing with no specific terms of repayment.

Transactions

Included in interest on notes and loan receivable is \$177,256 (2012 - \$160,435) from Finance PEI and \$122,608 (2012 - \$245,288) from The Charlottetown Area Development Corporation

Included in expenses are management fees of \$500,000 (2012 - \$500,000) to Finance PEI in 2013 and Innovation PEI in 2012.

Included in Grants - related company is nil (2012 - \$1,140,000) from Innovation PEI.

Compensation of directors and key management personnel

The remuneration of directors and key management personnel during 2013 and 2012 were as follows:

	2013 \$	2012 \$
Salaries	<u>183,645</u>	<u>257,474</u>

Key management personnel consist of the executive director, directors, managers and other senior staff needed to administer the programs in Island Investment Development Inc. Certain members of key management are employed under Innovation PEI and the portion of their salary which pertains to the work performed for Island Investment Development Inc. is reflected in the \$500,000 (2012 - \$500,000) management fee paid to Finance PEI in 2013 and Innovation PEI in 2012.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2013

13 Commitments

Prince Edward Island Century 2000 Fund Inc. loans approved but not disbursed at March 31, 2013 amount to \$12,956,948 (2012 - \$33,857,163).

14 Contingent liability

A statement of claim has been filed against the company that deals with the question of priority interest that the company has in a mortgage that is held as collateral on their notes receivable to a specific organization. There is no amount recorded in these financial statements for the possible effect on the calculation of the allowance for possible credit losses as the potential outcome of the claim is uncertain at this time.

15 Financial risk management objectives and policies

Island Investment Development Inc.'s principal business activities result in a statement of financial position that consists primarily of financial instruments. The principal financial risks that arise from transacting financial instruments include credit, liquidity, market and operational risk. Authority for all risk-taking activities rests with the Board of Directors (Board), which approves risk management policies, delegates limits and regularly reviews management's risk assessments and compliance with approved policies. Qualified professionals throughout Island Investment Development Inc. manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the company's notes receivable and marketable securities.

The company's maximum exposure to credit risk at the statement of financial position date in relation to each class of recognized financial assets is the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2013

The company's maximum exposure to credit risk at the reporting date was:

	2013	2012
	\$	\$
Cash	46,801,685	30,882,778
Marketable securities	93,859,739	99,953,265
Accounts receivable	674,750	192,705
Demand loan receivable	6,998,621	6,998,621
Notes receivable	124,636,103	130,940,279
Advances to related companies	3,515,000	3,577,500
Investment in private company	37,500	130,940,279
Restricted funds	45,543,879	38,060,256
	<u>322,067,277</u>	<u>441,545,683</u>

i) Notes receivable

For the notes receivable portfolio, the company uses risk modelling that is customer based rather than product based. The company reviews the borrowers capacity to repay the loan rather than relying exclusively on collateral, although it is an important component in establishing credit risk. Typically, collateral consists of capital assets held by the borrower but can extend to working capital such as inventory when warranted. Any shortfall in collateral as compared to the carrying value of the loan is considered when analyzing the loan for the provision that needs to be applied to it.

Credit is approved by staff and the company's Board of Directors with loans in excess of \$1 million requiring approval by Treasury Board. The company factors the financial strength of each borrower, the security which is available, their position in industry and past payment history when assessing all potential loans.

ii) Cash and marketable securities

Cash and marketable securities have a low credit risk exposure as the assets are high quality investments with low risk counterparties.

(b) Liquidity risk

Liquidity risk is the risk that the company may not be able to meet its financial obligations as they come due. Specifically, the company needs to ensure it has adequate resources to repay all accounts payable and accrued liabilities and notes payable as they come due. The company's approach to manage liquidity risk is to closely monitor its cash flows and forecast the expected receipts and obligations.

The table below analyzes the company's financial liabilities into relevant groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2013

March 31, 2013				
	Under 1 year \$	Between 1 - 2 years \$	Between 2 - 5 years \$	Total \$
Accounts payable and accrued liabilities	957,664	-	-	957,664
Notes payable	44,482,534	46,276,782	121,226,404	211,985,720
Restricted funds	45,543,879	-	-	45,543,879
	90,984,077	46,276,782	121,226,404	258,487,263

March 31, 2012				
	Under 1 year \$	Between 1 - 2 years \$	Between 2 - 5 years \$	Total \$
Accounts payable and accrued liabilities	1,171,249	-	-	1,171,249
Notes payable	46,119,590	43,831,031	135,886,089	225,836,710
Restricted funds	38,060,256	-	-	38,060,256
	85,351,095	43,831,031	135,886,089	265,068,215

As at March 31, 2013, the company has \$186,205,303 (2012 - \$168,896,299) in cash and marketable securities that is readily available to be used to meet the cash outflows of the company's financial liabilities.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(i) Price risk

The company is exposed to price risk because of the marketable securities held by the company that are classified as fair value through profit or loss. This company is not exposed to commodity price risk. To manage its price risk arising from marketable security is the company diversifies its portfolio.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

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(ii) Interest rate risk

The following table sets out the assets and liabilities on the earlier of contractual maturity or repricing date. Use of the table to derive information about the company's interest rate risk position is limited by the fact that borrowers may choose to terminate their financial instruments at a date earlier than contractual maturity or repricing date. For example, notes receivable are shown at contractual maturity but could prepay earlier.

	Under 1 year \$	Over 1 to 5 years \$	Not interest rate sensitive \$	Total \$
Assets				
Cash	46,801,685	-	-	46,801,685
Marketable securities	93,859,739	-	-	93,859,739
Accounts receivable	-	-	674,750	674,750
Demand loan receivable	6,998,621	-	-	6,998,621
Effective interest rate	0.48%			
Note receivable (net of allowance for losses)	34,013,133	88,983,294	1,639,676	124,636,103
Effective interest rate	4.14%	3.96%		
Advances to related companies	-	-	3,515,000	3,515,000
Investment in private company	-	-	37,500	37,500
Restricted funds	-	-	45,543,879	45,543,879
Deferred financing costs	-	-	6,191,889	6,191,889
Total assets	181,673,178	88,983,294	57,602,694	328,259,166
Liabilities and surplus				
Accounts payable and accrued liabilities	-	-	957,664	957,664
Note payable	44,482,534	167,452,080	51,106	211,985,720
Restricted funds	-	-	45,543,879	45,543,879
Surplus	-	-	69,771,903	69,771,903
Total liabilities and surplus	44,482,534	167,452,080	116,324,552	328,259,166
Interest rate sensitivity gap	137,190,644	(78,468,786)	(58,721,858)	-

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2013

(c) Capital management

The primary objective of Island Investment Development Inc.'s capital management is to ensure that it maintains a healthy financial position in order to support its business. Island Investment Development Inc. manages its capital structure and makes changes to it in light of changes in economic conditions.